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DATE: June 1, 2010

TO: Redevelopment Agency Board Members

FROM: Redevelopment Director

SUBJECT: Approval of Modified Terms of Loan for Affordable Housing Predevelopment Costs Related to the South Hayward BART Station Transit-Oriented Development Project

RECOMMENDATION

That the Agency Board adopts the attached resolution authorizing a loan to Eden Housing, Inc. in an amount not to exceed \$500,000 for predevelopment costs related to the affordable family and senior housing at the South Hayward BART Transit-Oriented Development Project.

BACKGROUND

On March 23, 2010, the Agency adopted Resolution RA 10-04 authorizing a loan to Eden Housing Inc. not to exceed \$500,000 for predevelopment costs related to the affordable family and senior housing at the South Hayward BART Transit-Oriented Development Project. In the staff report to the Agency, it was disclosed that the terms of the loan would contain (a) a maximum cap of 50% of Eden's actual costs and (b) a cap of \$100,000 per quarter. Eden has requested that the loan be approved without these two caps.

In the spring of 2009, the City, the Redevelopment Agency, Eden Housing ("Eden"), BART and a private development group, Wittek Development, LLC and Montana Properties, Inc. (Wittek & Montana) joined forces to apply for State Housing & Community Development (HCD) Proposition 1-C Bond monies to develop a transit village at the South Hayward BART station, utilizing the South Hayward BART station parking lots, the privately-owned former Perry & Key site along Mission Boulevard, and property owned by the State Department of Transportation as part of the 238 corridor. The application was successful, and the City and other applicants were awarded \$47 million in HCD Proposition 1-C monies from Round II for the South Hayward BART Transit-Oriented Development Project (the "Project," also known as the "Wittek-Montana Project").

Project plans are to construct a mixed-use retail and housing development that includes 788 units of market-rate housing, a Safeway lifestyle grocery store, ancillary retail stores, 125 affordable family apartments, 81 affordable senior apartments and two parking garages, one of which is a replacement parking garage for BART patrons. Additional public funding is coming from the Redevelopment Agency or other public sources in the form of up to \$7.1 million from Housing

set-aside funds, and up to \$12.7 million for infrastructure and site improvements. Of the total Proposition 1C award amount, \$17 million was awarded to Eden as a permanent loan for the affordable housing component of the Project. Total Project costs are currently projected to be approximately \$300 million, exclusive of land costs.

DISCUSSION

In anticipation of receiving the \$17 million Proposition 1C housing funds and the City's contribution of up to \$7.1 million, Eden has retained architects, engineers, and consultants, and has commenced the planning and design of the family affordable housing and the senior affordable housing. Eden has spent approximately \$200,000 to date in these efforts. Eden's opportunity to apply for an allocation of affordable housing tax credits through the State Tax Credit Allocation Committee ("TCAC") has been delayed due to (a) challenges at the State Department of Finance with the TCAC program and (b) complexities of this Project, which make Eden's application unachievable until the July 2011 application round, instead of July 2010 as was originally planned. Therefore, Eden has requested that the Agency lend monies to Eden to facilitate their continued progress on the Project.

The Loan being requested would be structured similar to a construction loan: Eden will be able to submit to the Agency their paid invoices for their predevelopment costs of the affordable housing. The amount(s) that Eden could request would be a maximum of a total of \$500,000. The proposed loan bears an interest rate of 3% and term of the loan is three years. The loan is repayable either (a) when a subsequent financial agreement is made to Eden (i.e. the contribution of the \$7.1 million towards the affordable housing), or (b) in three years. Assuming that the project goes forward, the amount actually loaned under this agreement would be refinanced and included in the Agency's contribution to Eden. If the project should fail to develop as planned, then Eden would be required to repay this loan to the Agency.

ECONOMIC IMPACT

The successful development of the Project will have an immense economic impact on South Hayward, and will move Hayward one step closer to meeting the goals in the City's Climate Action Plan as a result of this transit-oriented project. Additionally, it is estimated that the Project will create approximately 700+ high quality construction, design, and engineering services jobs through the eight-year development cycle and approximately one hundred and fifty permanent jobs, according to Eden Housing Inc. The Agency's local matching funds are necessary in order to secure HCD's grant of \$47 million, and leverages the developers' participation, BART's participation, and the creation of affordable housing. Also, while affordable housing does not generate tax increment, it is a prerequisite to the HCD funding to allow the development of the market-rate housing and retail, which, when built, will generate roughly \$1.2 million of gross tax increment annually and \$80,000 of annual sales tax.

FISCAL IMPACT

The proposed contract does not impact the City's General Fund. The Loan commitment will not exceed \$500,000 as was originally approved, and will come from the Redevelopment Agency Capital Improvement Program (CIP) Affordable Housing Fund 456-5073, "South Hayward BART Affordable Housing," which currently has \$1,000,000 set aside for this Project in FY 2010.

Prepared by: John DeClercq, Project Manager
Recommended by: Maret Bartlett, Redevelopment Director

Approved by:



Frances David, Executive Director

Attachment:

Attachment I: Resolution for predevelopment loan to Eden Housing

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-_____

Introduced by Agency Member _____

AUTHORIZE THE EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE A LOAN AGREEMENT WITH EDEN HOUSING, INC. FOR PREDEVELOPMENT COSTS RELATED TO THE PLANNING AND DESIGN OF AFFORDABLE HOUSING AT THE SOUTH HAYWARD BART STATION TRANSIT-ORIENTED PROJECT

WHEREAS, Eden has been awarded a Transit-Oriented Program loan in the amount of \$17 million from the State Housing & Community Development (HCD) Proposition 1-C Bond monies and the Agency has committed an additional \$7.1 million for the construction of affordable housing component of the South Hayward BART Station Transit-Orient Development; and

WHEREAS, Eden has engaged professionals and commenced the predevelopment planning and design of the Project; and

WHEREAS, Eden needs to continue to spend monies to pay for continued work notwithstanding that funding from the State has been delayed and the project has been delayed due to the complexities of the Project; and

WHEREAS, the successful development of the Project will have an immense economic impact of South Hayward, moving the City a step closer to meeting the goals of the City's Climate Action Plan, providing quality temporary and permanent jobs and generating significant gross tax increment and annual sales tax revenues.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that the Executive Director is hereby authorized and directed to negotiate and execute a loan agreement with Eden Housing, Inc. for predevelopment costs related to the planning and design of affordable housing at the South Hayward BART Station Transit-Oriented Development in an amount not to exceed \$500,000 with terms and conditions as described in the accompanying staff report to the Agency in a form to be approved by the City Attorney.

DRAFT

HAYWARD, CALIFORNIA _____, 2010

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
 CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS:

ABSENT: AGENCY MEMBERS:

ATTEST: _____
 Secretary of the Redevelopment Agency
 of the City of Hayward

APPROVED AS TO FORM:

General Counsel